

**Before the
Federal Communications Commission
Washington, DC 20554**

In the Matter of)	
)	
Inquiry into Over-the-Air Broadcast)	MB Docket No. 04-210
Television Viewers)	

**COMMENTS OF THE
CONSUMER ELECTRONICS ASSOCIATION**

The Consumer Electronics Association (“CEA”) submits these comments in response to the Public Notice (“Notice”) in the above-captioned proceeding.¹ In the Notice, contemplating the end of the digital transition when analog broadcasts will cease, the Commission solicits information on viewers who rely exclusively on over-the-air (“OTA”) broadcasting such as why they do not subscribe to a pay television service such as cable or satellite. The Commission also seeks comment on options for minimizing the impact on OTA viewers when analog broadcasts cease.

CEA on a regular basis collects and aggregates market research information from a variety of sources and also conducts its own market research. CEA’s Market Research Department has conducted various surveys to determine why certain households do not subscribe to multi-channel video service providers (“MVPDs”). We are pleased to provide the information below in response to the Commission’s Notice.

¹ *Media Bureau Seeks Comment on Over-the-Air Broadcast Television Viewers*, MB Docket No. 04-210, *Public Notice*, DA 04-1497, 19 FCC Rcd 9468 (2004), comment deadline extended, *Order*, DA 04-2002 (July 1, 2004).

THE CONSUMER ELECTRONICS ASSOCIATION

The Consumer Electronics Association is the principal U.S. trade association of the consumer electronics and information technologies industries. Our members design, manufacture, distribute and sell digital and analog television receivers, monitors and associated electronics such as digital video recorders (“DVRs”), video cassette recorders (“VCRs”), direct broadcast satellite radios (“DARS”), satellite television receivers (“DBS”), broadcast AM and FM radios, and similar products. Our members also design and manufacture unlicensed devices such as Wi-Fi network devices that connect personal computers, personal digital assistants (“PDAs”) and laptops to peripheral devices and networks, cordless phones, baby monitors, and wireless headsets. CEA’s more than 1,700 member companies include the world’s leading consumer electronics manufacturers.

SOURCES OF PROGRAMMING DELIVERED TO TELEVISION HOUSEHOLDS

According to 2002 U.S. Census Bureau data, there are 109.3 million households in the United States, of which some 107.3 million (98.2 percent) have at least one television set. On average, U.S. households own 2.7 television sets, for a total number of 289.7 million TV sets in use.

According to the National Cable and Telecommunications Association (“NCTA”), 73.8 million television households, 68.1 percent, subscribe to cable service.² Satellite services also are a major provider of television programming. Based on current market estimates, 21.3 percent of U.S. television households subscribe to a satellite service. This equates to 23.14

² NCTA, *2004 Mid-Year Industry Overview*.

million subscribers. In terms of subscribership, DirecTV has 12.64 million subscribers, EchoStar (Dish Network) has 10.1 million, while new offerings from Voom and legacy C-band services account for an additional 400,000 subscribers. Another 1 percent of TV households subscribe to alternative pay services, such as satellite master antenna (“SMATV”) and Microwave Multi-Distribution System (“MMDS”) “wireless cable.”

A CEA survey conducted in November 2001 revealed that a small number of U.S. households (roughly 3 percent) subscribe to *both* cable and satellite. Taking these dual subscribers into account when combining the figures for cable and satellite households shows that over 87 percent of U.S. television households subscribe to either cable and/or satellite services. This means that under 13 percent of U.S. television households do not subscribe to cable and/or satellite services.

Of the 13 percent of non-subscribing households, the majority are headed by individuals ages 18 to 34 or 55 and older. Cable and/or satellite subscription rates among the middle demographic, ages 35 to 54, are 36 percent higher than adjacent age groups. Ethnicity does not play a major factor in cable and/or satellite subscription rates, while income and the number of children in the household play minor roles.

MOST DECISIONS NOT TO SUBSCRIBE TO PAY SERVICES ARE FOR REASONS OTHER THAN ECONOMIC CONSTRAINTS

The Commission seeks quantitative data on consumers who watch over-the-air broadcast television. In response to the Commission’s Notice, CEA’s Market Research Department undertook a telephonic survey to determine why certain households do not subscribe to cable or satellite service. The heads of one thousand households throughout the United States were

interviewed for this purpose. The results were weighted back to general demographics to ensure their accuracy. The survey results described below have a +/- 2 percent margin of error.

CEA's survey indicates that those households that have chosen *not* to subscribe to cable and/or satellite service are actively choosing not to do so. Such households watch an average of 30 percent less television per week than cable and/or satellite subscribers. This is not surprising, because 59 percent of the households interviewed indicated that television is not a priority for them. Less than 30 percent indicate that insufficient funds play a role in their decision not to subscribe.

CEA notes that even in cable and/or satellite households, not every television in the household may be connected to these services. This reflects the household's conscious decision whether or not to connect. On average, 32 percent of cable and/or satellite subscriber households have at least one television not connected to the subscription service. In these cases, 75 percent of households are affirmatively reserving a television solely for use with a VCR, video game system and/or DVD player. In all cases, when these unconnected televisions are on and in use, they are being used to watch prerecorded videos and DVDs of all varieties, and for use with video game systems for 50 percent of the time. Most (75 percent) of these televisions are small in size (less than 20 inches). As many as 31 percent have screen sizes of just 13 inches or less.

INVOLVED INDUSTRIES HAVE A STAKE IN THE SUCCESS OF THE BROADCAST DIGITAL TRANSITION AND SHOULD ASSIST CONSUMERS

The Commission's second line of inquiry in this proceeding is the options that might minimize the impact on OTA viewers when analog broadcasts cease. In addition to consumers, the transition from analog to digital broadcasting involves a number of inter-related industries, all of which have an interest in fostering the transition. The involved industries include

terrestrial broadcasters who transmit advertiser-supported programs over-the-air (“OTA”) to viewers free of charge; equipment manufacturers who manufacture television receivers and associated equipment that enables reception; retailers who sell receivers and related devices to consumers in the competitive marketplace; cable operators who for pay retransmit broadcast signals and other programming to consumers; satellite broadcasters who also for pay re-transmit broadcast signals and other programming to consumers; the creative arts community who create and distribute the video programs and movies carried by broadcasters and the pay services; and other print and electronic media who disseminate information to consumers about the programs available to them by means of these distribution services.

The impact on consumers can be considerably lessened by ensuring that viewers have full and accurate information about the transition and the availability of OTA digital programming. Broadcasters by definition reach all OTA viewers, so it is especially critical that they play a stronger role by increasing their efforts to educate their viewers about the DTV transition generally and the availability of OTA digital broadcasts specifically. The digital broadcast channels need to be promoted more aggressively, especially during analog broadcasts and in TV program listings. Broadcasters also could increase consumer awareness generally, and those that rely exclusively on OTA signals in particular, by running public service announcements (“PSAs”) and similar promotions within their analog programs. In addition to promoting digital broadcasts aggressively during analog broadcasts, digital programming guides and DTV program listings are needed so that the public is reminded daily of the digital programming already available. With the Commission’s lifting of the simulcast programming requirements,³ making

³ See FCC News Release *FCC Takes Next Steps to Promote Digital TV Transition* describing rules changes recently adopted in MB Docket No. 03-15 (Aug. 4, 2004).

DTV program listings widely available is vital. Cable operators, for their part, must support Digital Cable Ready (“DCR”) integrated television sets with adequate stocks of CableCARDS to provide a seamless viewing experience for new digital viewers.⁴

For its part, CEA conducts a number of programs to increase public knowledge about the DTV transition and broadcast reception in particular, and urges that more efforts throughout the affected industries to complete the digital transition within a reasonable time and in a consumer-friendly manner. Among its DTV educational efforts, CEA operates two websites that promote the DTV transition through consumer and dealer education. One of these websites specifically permits consumers and salespeople to determine which DTV signals can be received at their location and what type of antenna is needed to do so. This website is <http://www.antennaweb.org>. CEA also maintains another website at <http://www.ceknowhow.org>, where retail salespeople and others can obtain in-depth training about digital TV terminology, products and capabilities.

In addition, CEA has published a number of articles in strategically selected publications to educate consumers and retailers. For example, in December 2003, CEA purchased national coverage in *TV Guide* for a multi-page *Home Entertainment Buyers’ Guide* to explain DTV to viewers and describe the kinds of reception equipment available to them. In June, 2004, a similar special section was run in *Sports Illustrated*. Working with Comcast, CEA also published an educational DVD and booklet *A Consumer’s Guide to the Wonderful World of HDTV* that explains the DTV transition and makes practical suggestions for selecting and

⁴ All digital cable-ready television sets also include a digital OTA tuner, so the success of these sets in the marketplace also increases the number of households with OTA capability, furthering the transition’s goals.

purchasing suitable reception equipment. In addition, CEA designed, printed, and makes available to retailers a “tip sheet” or card that explains the DTV transition and basic DTV terms and technology. These efforts are helping to educate consumers about DTV, and we hope that others will join us in aggressively informing viewers about the digital transition efforts.⁵

CONCLUSION

CEA research indicates that about 13 percent of households do not subscribe to cable and/or satellite services and that the majority of non-subscribing households are making a conscious decision not to subscribe for reasons other than economic constraints. In addition, in those households that do subscribe to cable and/or satellite services are making a conscious decision not to connect additional television sets to these services. Such additional sets may be reserved for use with a VCR or DVD player, or with a video game system.

We trust that this data is useful for the Commission’s purposes in considering options to ensure that all consumers continue to be have access to advertiser-supported free OTA broadcast signals. More efforts to educate consumers about the transition, especially by broadcasters, will minimize the potential that some viewers may have difficulty continuing to receive OTA

⁵ CEA has submitted to the Commission copies of its pamphlets, brochures, and other educational information in MB Docket Nos. 03-15 and 04-227.

programming when broadcasters change to exclusively digital signals.

Respectfully Submitted,



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